

VIRGINIA

Economic Indicators

1

VOL. 39, NO. 1

First Quarter Data, Second Quarter Preliminary Analysis, and Latest 2007-2008 Projections



FEATURE ARTICLE:

Considering Virginia's Older Workers—The Labor Dynamics of an Aging Workforce
by Timothy O. Kestner

1

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**First Quarter Data, Second Quarter Preliminary
Analysis, and Latest 2007-2008 Projections**

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FOREWORD

For those who are interested in studying the business cycle, the *Virginia Economic Indicators* publication is designed to depict the movement of the key economic indicator series readily available in Virginia. Most of these series are published elsewhere; but here, they are brought together in both graphic and tabular form, under one cover, and grouped so that they may be analyzed and interpreted easily.

Ten of the fourteen series currently used—the two employment series, the four unemployment series, and the four hours and earnings series—are produced in-house by the Economic Information Services Division of the Virginia Employment Commission and are comparable to similar national series produced by the U.S. Department of Labor. The four business indicators are provided by sources outside of the agency (see the Historical Summary at the back of this publication for data sources) and should prove useful to the student of business cycle development in Virginia.

All series currently published in the *Indicators* have been seasonally adjusted to minimize regular seasonal fluctuations in the data in order to show only activity related to the business cycle. The *Virginia Economic Indicators* is currently the only seasonally adjusted publication of some of the Virginia series.

From time to time, new series will be added to this report as the data becomes available and is collected and tested. Also, series presently provided, if necessary, may be discontinued. Historical graphs are published in the back of the fourth quarter issue for each year.

This publication provides a narrative analysis update of the U.S. economy, a narrative analysis of recent changes in Virginia, and highlights of both economies. Also, feature articles dealing with some currently important aspects of the Virginia economy are presented. Feature articles are written in-house or by guest authors knowledgeable on particular economics-related subjects.

This publication is normally produced quarterly in April, July, October, and February, but data in the series is provided on a monthly basis. There is a time lag of one quarter before all the data series are available for publication and analysis.

With the 2002 benchmarks in 2003, all states were required to switch to the North American Industry Classification System (NAICS) codes which replace the

Standard Industrial Classification (SIC) codes formerly used. The NAICS conversion affects the factory employment series and the four hours-and-earnings series in that, where 2001, 2002, 2003, 2004, 2005, 2006, and 2007 data has been revised to NAICS, data prior to this time is still on the old SIC basis with more manufacturing industries. This means a slight break in these series when comparisons are made with former periods prior to 2001.

The main change to manufacturing is that, under NAICS, newspapers and publishing houses are no longer included in manufacturing, and so their employment and earnings are missing from revised 2001, 2002, 2003, 2004, 2005, 2006, and 2007 data.

The U.S. forecast analysis is based on the Global Insight projections which the state purchases. Virginia projections use the state model with enhancements from VEC data for the areas.

Significant advances in printing technologies and the competitive bidding process allowed the production of the current format with its enhancements on an annual contract basis at a substantial cost savings over the previous process and format.

Production and distribution of the *Virginia Economic Indicators*, like most Virginia Employment Commission projects, are financed through specifically-earmarked U.S. Department of Labor grants and do not use Virginia state funding sources.

We welcome any comments, suggestions, or questions concerning *Virginia Economic Indicators*.

Please address your comments to:

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For additional information or explanation of the contents of this document, you may contact the Economic/Operations Research section at (804) 786-5669. You may also view the publication in its entirety at <http://velma.virtuallmi.com> > **Products > Publications.**

HIGHLIGHTS

The U.S. and Virginia Economies



Growth in the U.S. economy slowed to only 0.7 percent in First Quarter 2007 as the trough of the “soft landing” appears to be happening in the first-half of the year. Growth for the remainder of 2007 is not expected to be above 2.5 percent. In spite of high gasoline prices and the decline in the residential housing market, consumer spending and employment remain strong. Business spending may be reviving, exports should increase, and the Federal Reserve should leave the Fed Funds rate unchanged at 5.25 percent.

The dominance of professional and business services, education and health care, and total government in the Virginia employment mix were causing Virginia to have a “milder” soft landing than the country as a whole. Virginia saw eight positive all-time records set in First Quarter 2007:

- ◆ Nonagricultural employment reached new highs of 3,759,500 in January; 3,762,800 in February; and 3,773,700 in March.
- ◆ Hourly production earnings climbed to highs of \$17.07 in January and \$17.14 in March.
- ◆ Weekly production wages reached \$704.78 in February and \$715.84 in March.
- ◆ Post holiday sales and gift card redemptions boosted taxable retail sales to a new record \$9,038 million in January.

Virginia experienced a 1.3 percent rate of job growth and a 2.9 percent unemployment rate average in the first quarter. Virginia continued to have the best unemployment rate among the nation's 13-largest states. Virginia's three-largest metropolitan areas consistently remain among the seven-best large U.S. areas for unemployment. Harrisonburg, Charlottesville, and Winchester, Virginia/West Virginia lead in job growth; and Charlottesville and Harrisonburg have extremely low jobless rates.

The Consumer Price Index for the United States for All Urban Consumers (CPI-U) averaged 203.8 (1982-84=100) in First Quarter 2007. This average was 1.0 percent higher than the 201.7 Fourth Quarter 2006 average. The

First Quarter 2007 average was 2.5 percent above the First Quarter 2006 average of 198.9, once again reflecting escalating fuel prices.

According to the Bureau of Labor Statistics of the U.S. Department of Labor, productivity increased 1.0 percent in the nonfarm business sector during First Quarter 2007, as output rose 0.6 percent and hours of all persons fell 0.4 percent (seasonally-adjusted annual rates). The decline in nonfarm business hours worked was the first since 2003, when hours fell 2.1 percent in the first quarter and 1.3 percent in the second quarter. In Fourth Quarter 2006, nonfarm productivity had increased 2.1 percent as output increased 2.9 percent and hours rose 0.8 percent. The 1.0 percent increase in output per hour since First Quarter 2006 is small compared to recent movements. Nonfarm business productivity had increased at an average annual rate of 3.1 percent from 2000 through 2005.

Hourly compensation increased 2.8 percent in the nonfarm business sector in First Quarter 2007. This measure had increased 11.2 percent in Fourth Quarter 2006, as revised. When the rise in consumer prices is taken into account, real hourly compensation grew 13.6 percent in Fourth Quarter 2006, then declined 1.0 percent in First Quarter 2007.

Unit labor costs rose 1.8 percent during First Quarter 2007, following an 8.9 percent increase in Fourth Quarter 2006, as revised. The implicit price deflator for nonfarm business output rose by 3.2 percent in First Quarter 2007.

According to the Energy Information Administration of the U.S. Department of Energy, Virginia's First Quarter 2007 coal production of 7,364,000 short tons mined was 7.1 percent below the 7,929,000 short tons mined in First Quarter 2006. The total of short tons mined in states east of the Mississippi River was also down 7.1 percent in the first quarter.

A handwritten signature in cursive script that reads "William F. Mezger".

William F. Mezger, Chief Economist
Virginia Employment Commission

Growth slows in both the nation and Virginia, but Virginia seems to be having a “milder” soft landing than the country as a whole.



U.S. ECONOMIC OUTLOOK

Forecast Update—First Quarter Data, Second Quarter Preliminary Analysis, and Latest 2007-2008 Projections

William F. Mezger, Chief Economist

Gross Domestic Product (GDP)—the output of goods and services produced by labor and property located in the United States and a key measure of economic gain or loss—increased at a 3.3 percent annual rate in 2006. After a robust first quarter, growth in the U.S. economy in 2006 slowed because of lackluster business spending, the slump in home-building, and vehicle sales affected by energy prices. However, consumer spending, exports, and federal spending remained fairly good.

The U.S. economy is expected to experience a “soft landing” in 2007 and final GDP growth numbers for First Quarter 2007 released by the Bureau of Economic Analysis (BEA) of the U.S. Department of Commerce on June 28, 2007, indicated that was happening. The third and final first quarter estimate by BEA showed GDP growth slowed to an annualized rate of only 0.7 percent, the slowest growth rate since Fourth Quarter 2002. Rising imports and a decline in business inventories each shaved a percentage point off of economic growth in the first quarter. Strength in consumer spending, however, carried the economy forward, underlining the importance of consumption remaining strong. Consumer spending, which accounts for over two-thirds of GDP expanded 4.2 percent in the first quarter. Spending by state and local governments also helped, being up 3.6 percent for the first quarter.

It is uncertain at this writing whether the “touchdown” of the “soft landing” has taken place in the first or second quarter of 2007. The trough for U.S. economic growth has either already happened, or is at

hand. Second Quarter 2007 could be better than the first quarter, but GDP growth is not expected to be above 2.5 percent during the second-half of the year.

◆ Some economists question whether consumer spending can keep up its strength, given the high gasoline prices and the slump in residential housing.

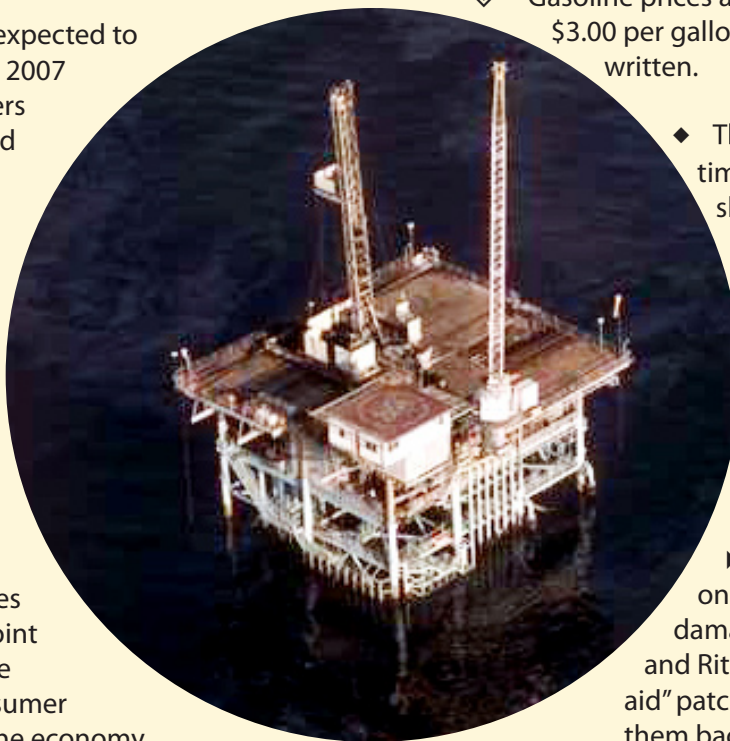
◆ Gasoline prices are starting to fall from about \$3.00 per gallon for regular gas as this is written.

◆ The gasoline price hike this time is not the result of shortages in the world oil market, which is stable at around \$64 per barrel; but rather a lack of U.S. gasoline refining capacity.

▶ Few new refineries have been built in the U.S. in the last two decades because of environmental issues.

▶ Many of the refineries on the Gulf Coast that were damaged by hurricanes Katrina and Rita in 2005 just received “band-aid” patches after the storms to get them back into production and now the oil companies have had to pull these refineries out of service to make more permanent repairs.

▶ Gasoline prices will wane from high levels after the peak of the summer driving season and more refining capacity is returned to production.



The “soft landing” in the U.S. economy appears to be happening, but consumer spending, which continues strong, is “saving the day.”



- ◆ The impact of high gasoline prices on consumers has already shown up in reduced April and May sales at discount retailers where lower income shoppers have had to curtail other purchases to buy gasoline to get to work.
 - ▶ The first of a two-part increase in the federal minimum wage on July 24, 2007, from \$5.15 per hour to \$5.85 per hour will help this group of shoppers.

◆ The housing slump will probably get worse before it gets better.

- ◆ New housing starts will probably bottom out at 1.33 million at mid-year 2007. The forecast for 2007 has been lowered from 1.41 million to 1.40 million and for 2008, from 1.49 million to 1.46 million.
- ◆ Existing home sales will probably bottom out at 5.51 million at mid-year 2008. The forecast for 2007 has been lowered from 6.08 million to 5.92 million and for 2008 from 5.73 million to 5.57 million.
- ◆ Home prices are expected to drop by three percent nationally in 2007, and this

diminishes consumers' ability to borrow on home equity.

◆ The good news is:

- ◆ Business spending, though down in the first quarter, may be showing some signs of reviving as orders for capital equipment picked up in both March and April. They then, however, were down in May.
- ◆ Commercial construction is expected to grow over seven percent in 2007, taking up some of the residential slack.
- ◆ National employment growth remains around one percent, and wages are rising about three percent because of still fairly tight labor markets.
- ◆ The Federal Reserve is now likely to leave the Federal Funds rate at 5.25 percent for the foreseeable future. Business growth is doing better than inflation, so the Federal Reserve is likely to sit tight.
- ◆ Growth in the rest of the world, along with a declining dollar, should boost U.S. exports five to ten percent in 2007.



Below are the revised 2007 and 2008 forecasts.

Updated 2007 and 2008 Forecasts

	Percent (except as noted) Averages	
	2007	2008
Real GDP	2.1	2.8
Consumer Spending (Real)	3.1	2.8
Business Investment (Real)	3.9	3.8
Federal Government Spending (Real)	1.6	2.3
Housing Starts (Million Units)	1.40	1.46
Existing Home Sales (Million Units)	5.92	5.57
Light Vehicle Sales (Million Units)	16.4	16.6
Nonagricultural Employment	1.2	1.1
Unemployment Rate (Levels)	4.6	4.8
Consumer Price Inflation	2.4	1.6
Oil Prices (\$ per Barrel)	62	61
Industrial Production	1.8	2.5
Federal Government Surplus (Billion Dollars)	-180	-208

The baseline forecast probability is 55 percent.

Forecast Alternatives

In the **optimistic scenario**, productivity growth and employment gains are higher, and inflation and budget deficits are lower than in the baseline forecast. The housing market bounces back more quickly as a result of strong job growth, lower interest rates, and increased consumer confidence. The export and energy markets also improve. GDP growth is well above the three percent long-term trendline by 2008. (Probability is 20 percent.)

In the **pessimistic scenario**, there is a "harder landing" with inflation gathering momentum and the Federal Reserve hiking the Fed Funds rate to over 7.00 percent by 2008. This deepens and prolongs the housing downturn, causing consumer confidence and hiring to falter. The economy does not quite sink into recession, but GDP growth is a marginal one percent for both 2007 and 2008. (Probability is 25 percent.)

July 6, 2007

The forecast, which is little changed from the last issue, still indicates below three percent trendline growth for both 2007 and 2008.

VIRGINIA INDICATORS

First Quarter 2007 Data with Updated Area Analysis

William F. Mezger
Chief Economist



In First Quarter 2007, the Virginia economy appeared to be performing a bit stronger overall than the U.S. economy, and Virginia seemed to be having a “milder” soft landing than the country as a whole. Virginia was still experiencing good employment and wage gains as evidenced by the new highs recorded in these categories this quarter. This is because the three almost recession-proof sectors of professional and business services, private education and health care, and total government dominate Virginia’s employment mix.

The only Virginia indicator to show a dramatic drop-off from First Quarter 2006 was single family housing permits (-28.4 percent), and even this series showed some signs of stabilizing in First Quarter 2007. Also, First Quarter 2007 had relatively few weather hindrances to building activities with no backlog of unemployed construction workers at the end of this past winter. A record number of commercial projects in progress in Virginia were taking up some of the slack in the residential portion of the building industry.

Rising gasoline prices were affecting vehicle sales and taxable retail sales, especially as the quarter wore on, but new light vehicle sales only averaged 6.1 percent lower than in First Quarter 2006. After the 1994 passage of the NAFTA Trade Act, Virginia developed something of a vehicle component manufacturing industry with some of the product going on vehicles assembled by the world’s auto producers in Mexico. Transportation equipment (38,000 employment) now is the state’s largest factory segment, but this still comprises only one percent of Virginia’s nonfarm employment and many of this sector’s cutbacks have been of the off-week variety. Even the Norfolk Ford plant closing, which is

expected to be complete by mid-summer, should not generate much additional unemployment because so many workers are expected to take retirement buyouts.

The above trends seem to be carrying over into Second Quarter 2007 with a still good employment and wage picture, and the housing- and vehicle-related industries appear to be trying to achieve stability. The leisure and hospitality industry is getting a boost from Jamestown-related activities.



The fourteen series, used to measure the Virginia economy that are the only series on Virginia for which data is currently available, performed as follows in First Quarter 2007:

- ◆ January, while gasoline prices were down, was the strongest month with ten series up, two unchanged, and two down.
- ◆ February had three series up, five unchanged, and six down. The mid-month of the quarter for some unexplained reason is sometimes the weaker month of the three in Virginia.

- ◆ March finished the quarter with eight series up, two unchanged, and four down.

The first quarter this year had eight positive all-time records set:

- ◆ Nonagricultural payroll employment reached new all-time highs each month of the quarter of 3,759,500 in January, 3,762,800 in February, and 3,773,700 in March.

The Virginia economy appeared to perform a bit stronger than the nation and to have a “milder” soft landing.

- ◆ Hourly production earnings posted new highs of \$17.07 in January and \$17.14 in March.
- ◆ Weekly production wages reached new heights of \$704.78 in February and \$715.84 in March.
- ◆ Buoyed by late-recorded holiday sales, the redemption of holiday gift cards, and a temporary lull in gasoline prices, taxable retail sales climbed to a record \$9,038 million in January.
- ◆ Also, a January total unemployment rate of 2.8 percent, seasonally adjusted, was the best in almost six years.

The six-month moving average of rising indicators on page 17 serves to illustrate the quarter's performance. The moving average enhances analysis because it smoothes out much of the irregularity present in many of individual series.

Around the State

Virginia, after averaging 1.7 percent job growth in 2006, experienced 1.3 percent job growth (on an annual basis) in First Quarter 2007. The state is still expected to see 1.2 percent job growth with the "soft landing" in 2007 and job growth accelerating to 1.4 percent for 2008.

Virginia, with a 3.0 percent average unemployment rate in 2006, had the third-best unemployment rate of all the states with only Hawaii (2.4 percent average) and Utah (2.9 percent average) being lower. In 2006, Virginia had, by far, the lowest jobless rate among the 13-largest states with Florida's 3.3 percent average being second-best. In First Quarter 2007, while Virginia's seasonally adjusted unemployment rate average was even better at 2.9 percent, several additional western states—Wyoming, Montana, and Idaho—dropped even lower. These small population and labor force Rocky Mountain states have recently seen their unemployment rates fall sharply because of stepped-up energy mining

and technology industries moving to the Rockies to escape the high cost of doing business in the San Francisco Bay area of California. In the first quarter, Virginia continued to have the lowest jobless rate among the nation's 13-largest states. Virginia's unemployment rate is projected to drift up to average 3.1 percent for both 2007 and 2008 because of the slightly slower economy and new people being attracted to the job opportunities in Virginia.

Virginia's three-largest metropolitan areas—Washington-Arlington-Alexandria, DC/Virginia/Maryland/ West Virginia (Northern Virginia is not treated as a separate metropolitan area in national statistics); Virginia Beach-Norfolk-Newport News, Virginia/North Carolina; and Richmond—have all consistently been among the nation's seven-best large unemployment areas out of the 49 largest U.S. metropolitan areas.



As was the case in 2006, three of Virginia's smaller metropolitan areas—Harrisonburg, Charlottesville, and Winchester, Virginia/ West Virginia—continued to have the fastest job growth in First Quarter 2007. The Charlottesville and Harrisonburg areas also continued to have some of the lowest unemployment rates among all the nation's 369 metropolitan areas. Northern Virginia, Richmond, Lynchburg, and Roanoke consistently had around two percent job growth in the early months of 2007.

Northern Virginia with its rapidly expanding professional and business services sector continued to provide about one-half the new jobs in Virginia. The Danville area economy seemed to be slowly improving while vehicle and furniture layoffs were a factor in Blacksburg-Christiansburg-Radford. Since the metropolitan areas collectively tend to grow faster than the state as a whole, the rural areas have lost some employment with the biggest losses this period being in the Southside furniture industry.

- ◆ **Harrisonburg** currently is the state's fastest-growing metropolitan area with just about five percent annual job growth spear-headed by expansions in the service-industries that support the large

James Madison state university complex. Unemployment is generally less than 2.5 percent.

- ◆ **Charlottesville** presently is enjoying four percent annual job growth led, as usual, by the large University of Virginia and University Medical Center state government complex and the research and support industries that go along with them. Unemployment is in the low two percent range for one of the nation's best jobless rates.

- ◆ **Winchester, Virginia/West Virginia** jobs are growing better than three percent annually as its service economy develops similar to its Northern Virginia neighbor. Unemployment has recently risen to around three percent because of a few problems just outside the metropolitan area (mostly in West Virginia) in vehicle- and housing-related manufacturing where some area residents work.

- ◆ **Richmond** area jobs expanded at just over a two percent growth rate, led by gains in private education and health care, professional and business services, charity organizations' headquarters, and state educational institutions. Work on riverfront development, the Biotech Park, and new shopping centers is keeping up construction employment levels. Unemployment is right at three percent.

- ◆ **Northern Virginia**, with just about two percent annual job growth presently, was still creating about one-half the new jobs in the entire state. Northern Virginia's high-skill, high-pay professional and business services continues to be the engine of Virginia's job growth train, providing over 10,000 new jobs annually. Health care, trade, services,

and government also continue to grow. The only problems are a drop-off in home building activities and some first quarter layoffs at internet service providers. The area unemployment rate still hovers just over two percent with Fairfax and Arlington counties, two of Virginia's largest population counties, having labor shortage level 2.0 percent, or less, unemployment rates.

- ◆ **Lynchburg** currently is enjoying about two percent annual job growth as a result of the private colleges and their support industries. The goods-producing combination of mining, construction, and manufacturing is also adding some jobs. Unemployment is low- to mid-three percent.



- ◆ **Roanoke** continues to add jobs at nearly a two percent annual rate because of growth in professional and business services, private education and health care, and trade and transportation—services which Roanoke has traditionally provided to the rest of Southwest Virginia. The jobless rate is right at three percent.

- ◆ **Virginia Beach-Norfolk-Newport News, Virginia/North Carolina** is adding jobs at a rate of a little over one percent annually with growth being slowed in 2007 by motor vehicle-related layoffs and a slump in home building. Also, federal civilian and defense contractor employment seems to be in a lull. All the extra Jamestown-related activities are boosting the area's large leisure and hospitality sector and commercial construction is still strong. Even with the above-mentioned motor vehicle and construction layoffs, unemployment is low- to mid-three percent.

- ◆ **Blacksburg-Christiansburg-Radford** has seen job growth drop to only about a one percent annual rate because of recent motor vehicle and furniture layoffs. The large Virginia Tech/Radford state university complex and its support industries add

stability to the local economy. The factory layoffs have pushed unemployment to the four percent range.

- ◆ **Danville**, which had posted job losses because of major textile mill closings in recent years, appears about to see its economy turn around. Going into Second Quarter 2007, service industry growth is starting to provide slight overall positive job gains. Unemployment is falling to the six percent range.



The four unemployment series overall had little direction this quarter, being mixed in January, mostly negative in February, and mostly positive in March.

The seasonal adjusted total unemployment rate fell from 2.9 percent in December to 2.8 percent in January, the best level in almost six years (March 2001), but then crept back up to 2.9 percent in February and 3.0 percent in March. Initial claims for jobless benefits increased from 4,696 in December to 5,026 in January and 6,016 in February, but then eased to 5,121 for March. The insured unemployment rate (which is the ratio of workers drawing benefits to the number of workers eligible to draw) fell from 0.93 percent in December to 0.84 percent in January, was back up to 0.93 percent in February, but then

eased to 0.90 percent in March. Insured unemployment averaged 0.89 percent in First Quarter 2007 compared with 0.86 percent in First Quarter 2006. This was a three percent gain in insured claimants as a result of off-and-on layoffs in vehicle- and housing-related manufacturing.



Eight Positive Records Set as Virginia Survives the Economic "Soft Landing"

The two employment series were both positive in January before both took a neutral stance for February and March. Nonagricultural employment on a seasonally adjusted basis set new highs each month of the first quarter, although the February and March advancements were less than the 19,000, plus or minus 0.5 percent, required to register gains on our pages 16 and 17 tables. Nonfarm employment forged ahead from 3,735,600 in December to new heights of 3,759,500 in January (+23,900), 3,762,800 in February (+3,300), and 3,773,700 in March (+10,900). As usual in Virginia, job gains were led by the high-skill, high-pay professional and business services in Northern Virginia and the other major metropolitan areas. Factory employment, which had sunk to a 27-year-low of 283,900 in November, rallied slightly to 285,600 in December, had a 1,500 increase in January (enough to show positive change on our tables), but lost most of the gain (1,300) in February, before adding back 600 to 286,400 in March. Factory employment seemed to be trying to achieve stability in the first quarter.



There were also some claims from workers in residential home construction, but overall the open weather this winter and the high level of commercial construction caused First Quarter 2007 to see relatively light winter claims activity from the building industry. Final Payment to claimants exhausting benefits (which to some extent reflects layoffs six months previous), rose from 2,917 in December to 3,518 in January, but then receded to 3,081 in February and 2,719 in March.

The four hours and earnings series were mixed in January, mostly neutral in February, but all positive in March. The length of the workweek was little changed from December to February, going from 41.2 hours in December to 41.1 hours in January, then back



to 41.2 hours in February, before increasing to 41.9 hours for March. Total production hours moved in a narrow band from 9,213,000 in December to 9,235,000 in January and 9,206,000 in February. March saw improvement to 9,391,000 hours. Average hourly wages rose from \$16.85 in December to a record \$17.07 in January, slipped to \$17.00 in February, and then were up to another record of \$17.14 in March. Average weekly earnings rose all quarter, going from \$694.51 in December to \$700.85 in January, a record \$704.78 in February, and another record of \$715.84 in March.

The often volatile four business series were all positive in January, but then turned mostly negative in February and March. Single family housing permits rose from December's 11-year low of 2,402 to 2,801 in January and 2,971 in February, before settling to 2,769

in March. Single family housing permits, however, were off 28.4 percent from First Quarter 2006. New business incorporations rose from 1,375 in December to 1,839 in January, slipped to 1,423 in February, then were 1,500 in March. New light vehicle registrations rose from 44,059 in December to 46,911 in January, but then trailed off to 42,328 in February and 41,998 in March with higher gasoline prices taking some of the wind out of the many rebates and incentives being offered. New light vehicle registrations, however, averaged only 6.1 percent below First Quarter 2006 levels. Taxable retail sales shot from \$8,427 million in December to a record \$9,038 million in January as some post-Christmas sales were still being recorded and consumers redeemed holiday gift cards. After that, they slid to \$8,944 million in February and \$8,785 million in March with some toll being taken by rising fuel prices.

In the first quarter, Virginia continued to have the lowest unemployment among the nation's 13-largest states and Virginia's three-largest metropolitan areas have consistently been among the nation's seven-best major metropolitan areas for unemployment.

EMPLOYMENT INDICATORS

	Nonagricultural Wage and Salary Employment*		Manufacturing Employment*		Total Unemployment Rate*	
	(Thousands)		(Thousands)		(Percent)	
2006	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
January	3,654.1	3,712.0	291.3	292.4	3.2	3.0
February	3,664.7	3,716.4	290.3	291.6	3.2	2.9
March	3,700.7	3,726.8	289.4	290.4	3.0	2.9
April	3,714.0	3,720.0	290.5	291.2	2.8	3.0
May	3,743.5	3,727.1	290.5	290.9	2.8	2.9
June	3,777.5	3,736.4	291.2	290.3	3.2	3.0
July	3,723.7	3,727.1	289.3	290.9	3.2	3.0
August	3,719.0	3,728.3	289.3	288.6	3.2	3.1
September	3,732.2	3,721.0	286.2	285.3	3.1	3.1
October	3,752.0	3,734.1	284.9	284.5	2.7	3.0
November	3,764.6	3,735.8	284.8	283.9	2.8	3.0
December	3,768.5	3,735.6	287.2	285.6	2.7	2.9
2007						
January	3,700.9	3,759.5	286.0	287.1	3.2	2.8
February	3,710.5	3,762.8	284.5	285.8	3.2	2.9
March	3,747.3	3,773.7	285.4	286.4	3.1	3.0

* These series have been adjusted to First Quarter 2006 benchmarks.

UNEMPLOYMENT INSURANCE INDICATORS

	Average Weekly Initial Claims		Insured Unemployment Rate		Unemployment Insurance	
			(Percent)		Final Payments	
2006	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
January	7,387	5,085	1.16	0.89	3,288	3,299
February	4,521	4,679	1.00	0.86	2,873	3,041
March	4,310	4,819	0.87	0.82	3,099	2,672
April	3,658	4,510	0.83	0.88	3,159	2,886
May	4,089	4,915	0.83	0.87	3,497	3,529
June	4,234	4,575	0.78	0.84	2,905	2,612
July	5,576	4,960	0.95	0.96	2,842	2,776
August	4,331	5,180	0.81	0.90	3,409	3,068
September	4,237	4,937	0.79	0.93	2,500	2,949
October	4,713	5,292	0.89	0.99	2,893	3,266
November	5,724	5,832	0.90	0.94	2,660	2,861
December	6,647	4,696	0.96	0.93	2,618	2,917
2007						
January	7,301	5,026	1.09	0.84	3,506	3,518
February	5,813	6,016	1.08	0.93	2,911	3,081
March	4,580	5,121	0.95	0.90	3,153	2,719

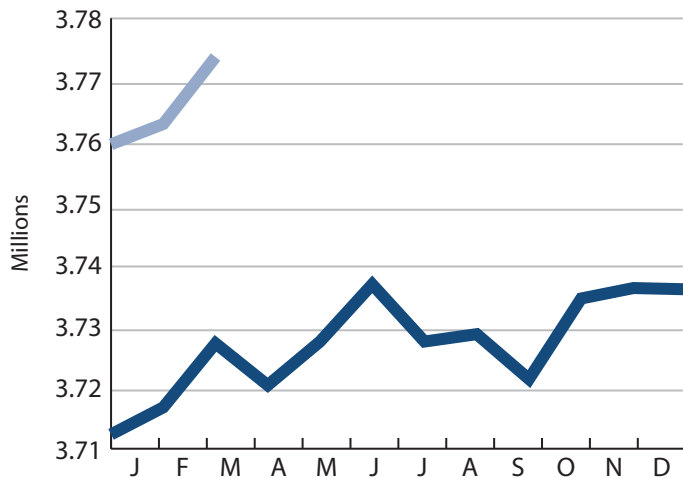
EMPLOYMENT INDICATORS

January 2006 - March 2007

2006

2007

Nonagricultural Wage and Salary Employment



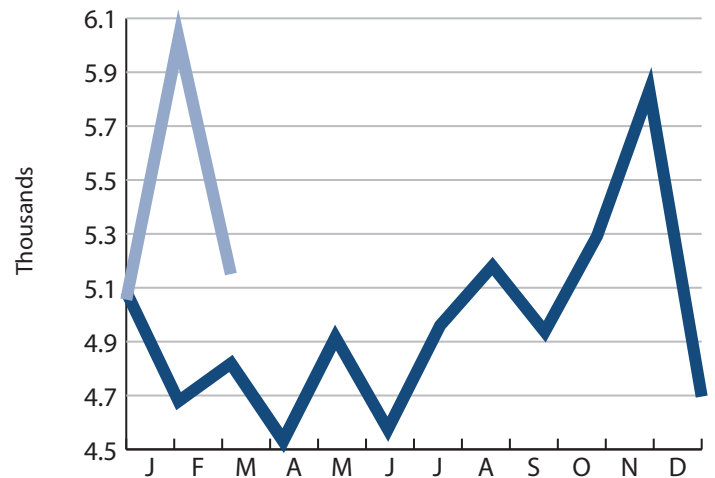
UNEMPLOYMENT INSURANCE INDICATORS

January 2006 - March 2007

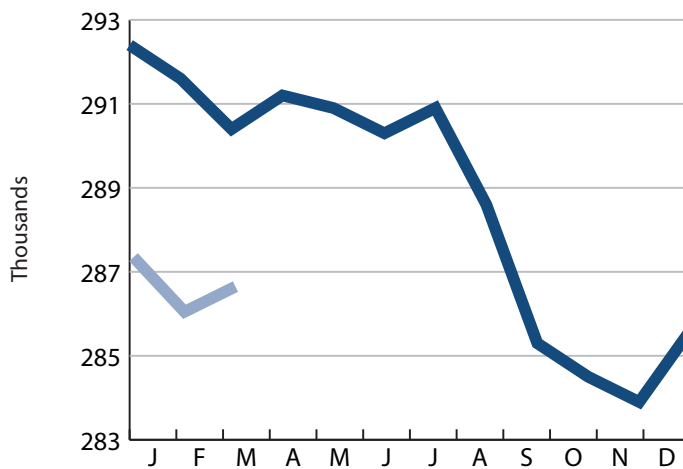
2006

2007

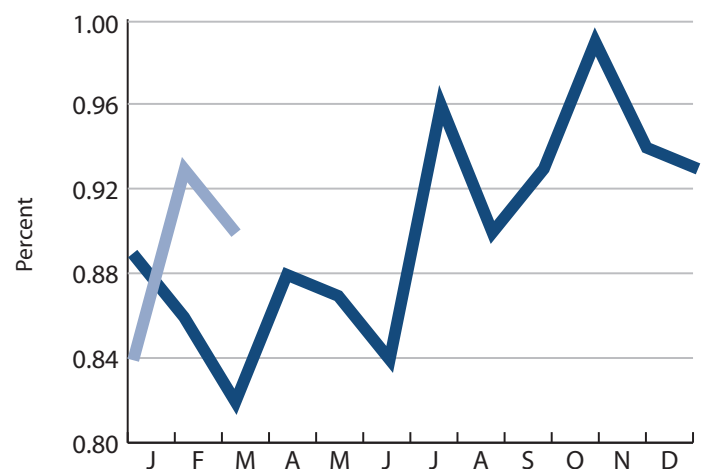
Average Weekly Initial Claims



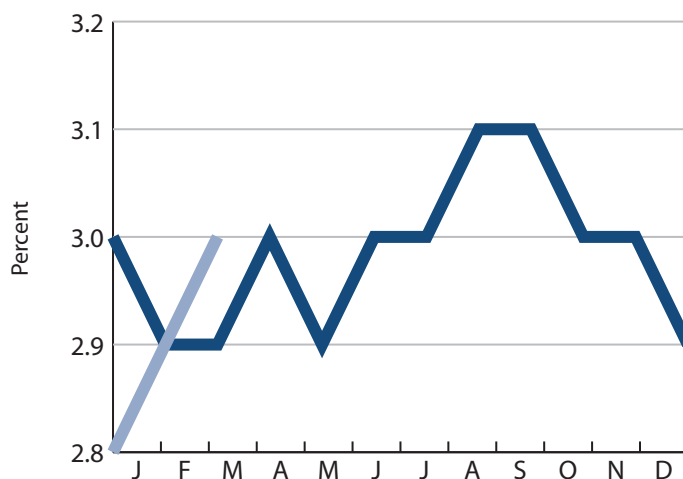
Manufacturing Employment



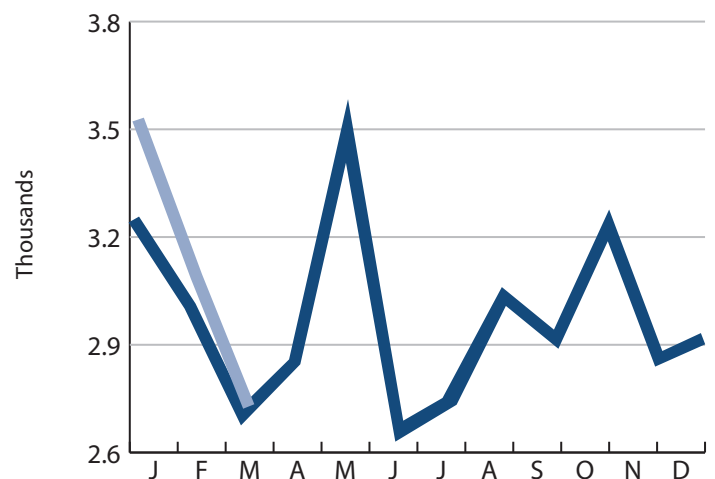
Insured Unemployment Rate



Total Unemployment Rate



Unemployment Insurance Final Payments



MANUFACTURING PRODUCTION WORKER INDICATORS

	Average Weekly Hours*		Average Hourly Earnings* (Dollars)		Deflated Average Hourly Earnings* (1982-84 Dollars)	
2006	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
January	41.7	41.5	16.51	16.51	8.51	8.46
February	40.9	41.0	16.71	16.66	8.60	8.54
March	40.9	41.2	16.75	16.81	8.58	8.63
April	40.6	41.1	16.70	16.63	8.47	8.46
May	41.5	41.2	16.63	16.67	8.39	8.43
June	41.8	41.4	16.81	16.76	8.46	8.46
July	41.4	42.2	16.62	16.70	8.34	8.40
August	40.8	41.3	16.70	16.80	8.37	8.44
September	41.4	41.4	16.74	16.75	8.44	8.47
October	41.3	41.0	16.91	16.92	8.58	8.61
November	40.8	40.7	16.89	16.93	8.58	8.58
December	42.1	41.2	16.99	16.85	8.62	8.49
2007						
January	41.3	41.1	17.07	17.07	8.64	8.59
February	41.1	41.2	17.05	17.00	8.59	8.52
March	41.6	41.9	17.07	17.14	8.51	8.56

MANUFACTURING PRODUCTION WORKER INDICATORS (CONTINUED)

	Total Production Hours* (Thousands)		Average Weekly Earnings* (Dollars)		Deflated Average Weekly Earnings* (1982-84 Dollars)	
2006	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
January	9,412	9,396	688.47	684.43	354.88	351.19
February	9,211	9,260	683.44	687.36	351.93	352.81
March	9,194	9,295	685.08	690.60	350.78	352.44
April	9,172	9,281	678.02	682.46	343.82	345.73
May	9,375	9,312	690.15	685.76	348.21	347.17
June	9,464	9,351	702.66	692.89	353.81	350.10
July	9,319	9,587	688.07	701.04	345.42	352.54
August	9,233	9,313	681.36	694.98	341.36	349.15
September	9,269	9,253	693.04	698.07	349.31	353.27
October	9,210	9,122	698.38	693.18	354.51	352.71
November	9,086	9,053	689.11	689.45	350.16	350.30
December	9,464	9,213	715.28	694.51	362.72	350.38
2007						
January	9,251	9,235	704.99	700.85	356.85	353.14
February	9,157	9,206	700.76	704.78	352.95	353.83
March	9,289	9,391	710.11	715.84	353.97	355.64

* These series have been adjusted to First Quarter 2006 benchmarks.

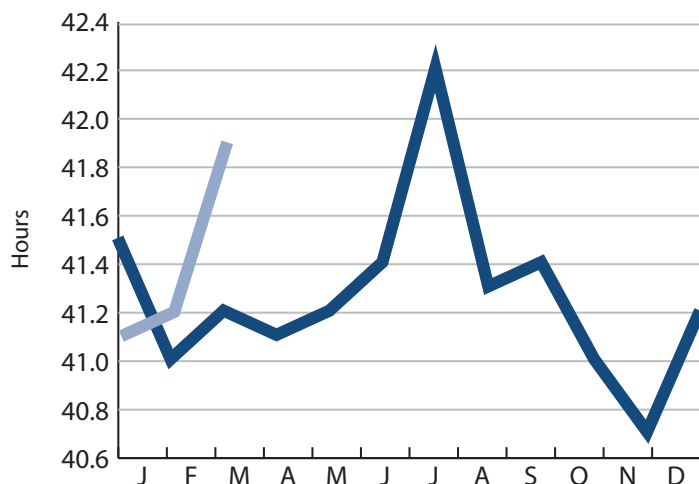
MANUFACTURING PRODUCTION WORKER INDICATORS

January 2006 - March 2007

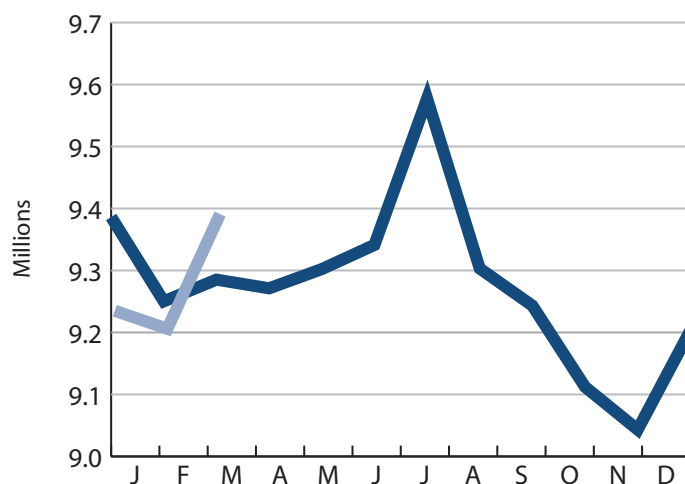
2006

2007

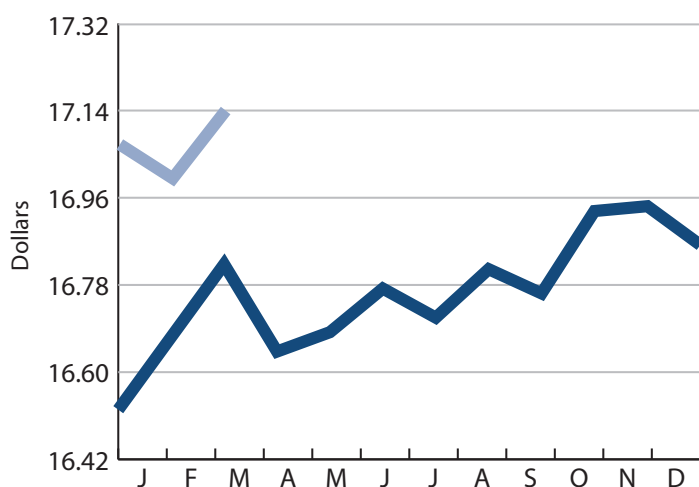
Average Weekly Hours



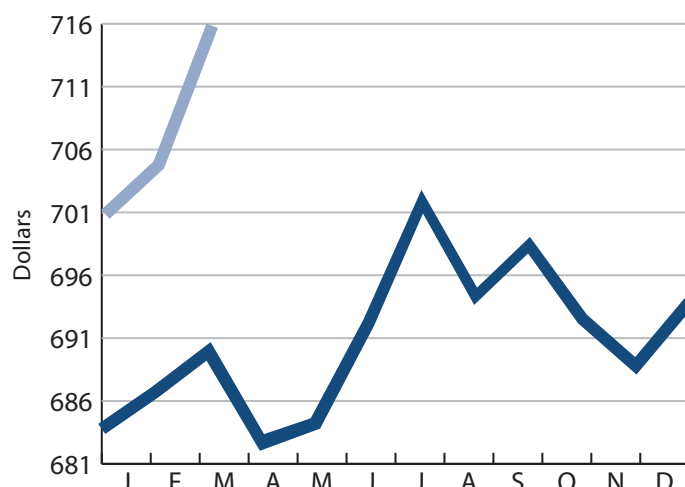
Total Production Hours



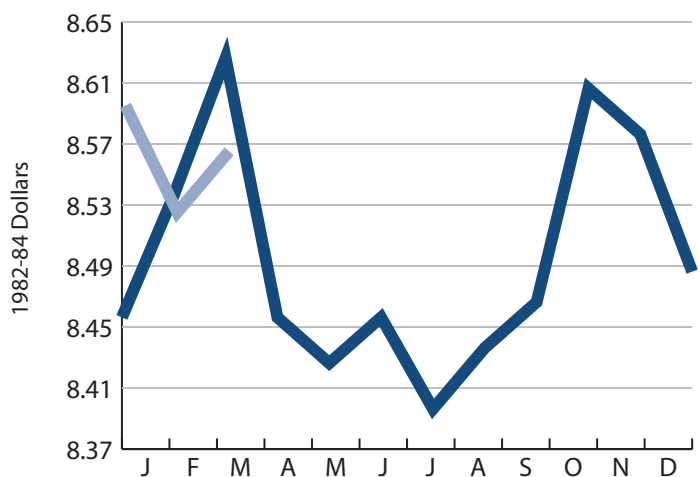
Average Hourly Earnings



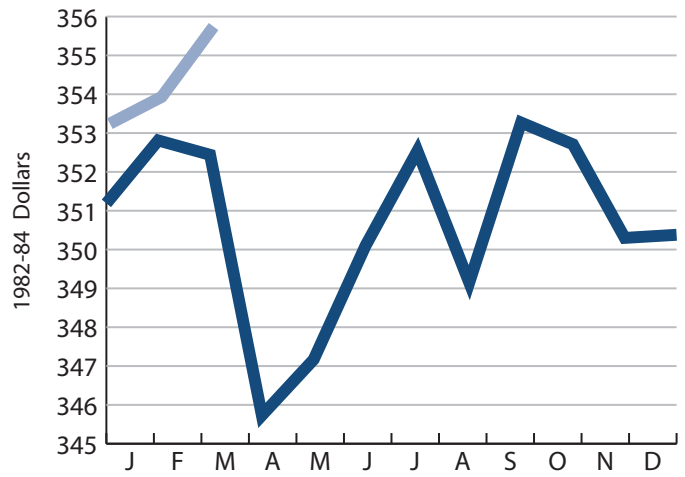
Average Weekly Earnings



Deflated Average Hourly Earnings



Deflated Average Weekly Earnings



BUSINESS INDICATORS

	Single Family Housing Permits		New Business Incorporations		New Vehicle Registrations	
2006	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
January	3,368	4,014	1,715	2,021	42,165	47,133
February	3,546	4,070	1,762	1,614	36,957	47,266
March	4,287	3,852	2,185	1,739	48,908	45,411
April	3,950	3,503	1,452	1,308	46,085	43,346
May	3,975	3,487	1,891	1,772	52,423	46,932
June	3,663	3,103	1,807	1,728	51,645	44,575
July	2,980	2,882	1,607	1,641	46,487	43,470
August	3,102	2,846	1,555	1,679	53,772	47,036
September	2,511	2,650	1,506	1,547	45,852	42,737
October	2,694	2,747	1,410	1,547	45,579	45,588
November	2,444	2,955	1,320	1,601	37,088	45,362
December	2,033	2,402	1,325	1,375	35,388	44,059
2007						
January	2,350	2,801	1,560	1,839	41,967	46,911
February	2,588	2,971	1,553	1,423	33,096	42,328
March	3,082	2,769	1,885	1,500	45,232	41,998

BUSINESS INDICATORS (CONTINUED)

	Taxable Retail Sales (Millions of Dollars)		Deflated Taxable Retail Sales (Millions of 1982-84 Dollars)	
2006	Unadjusted	Adjusted	Unadjusted	Adjusted
January	7,182	8,415	3,702	4,314
February	7,395	8,472	3,808	4,347
March	8,677	8,570	4,443	4,388
April	8,586	8,676	4,354	4,413
May	8,638	8,667	4,358	4,386
June	9,185	8,659	4,625	4,371
July	8,284	8,363	4,159	4,206
August	8,682	8,874	4,350	4,458
September	8,621	8,561	4,345	4,334
October	8,495	8,469	4,312	4,308
November	8,557	8,741	4,348	4,429
December	10,554	8,427	5,352	4,243
2007				
January	7,714	9,038	3,905	4,550
February	7,807	8,944	3,932	4,489
March	8,895	8,785	4,434	4,379

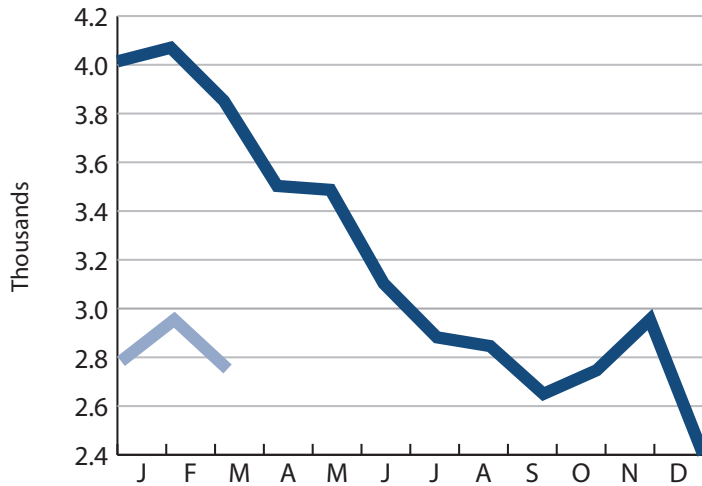
BUSINESS INDICATORS

January 2006 - March 2007

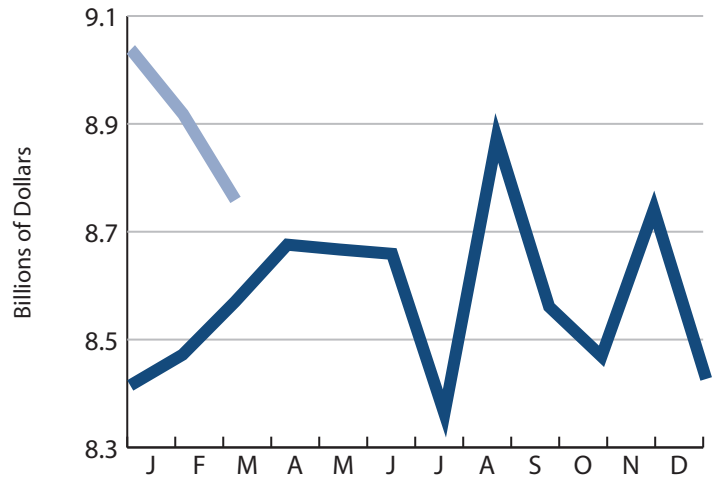
2006

2007

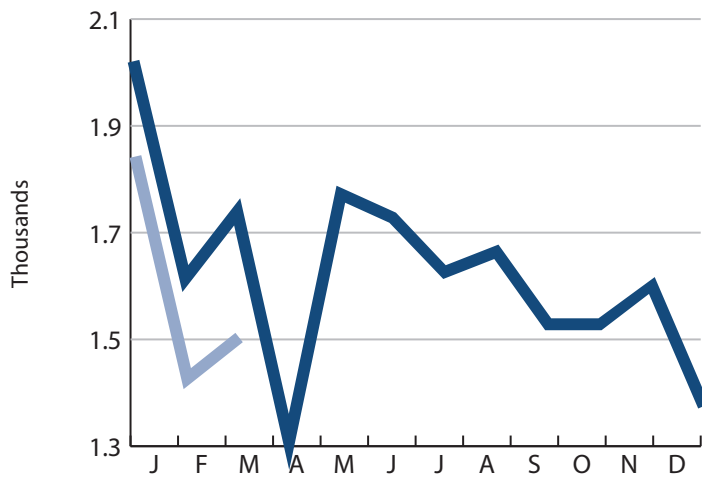
Single Family Housing Permits



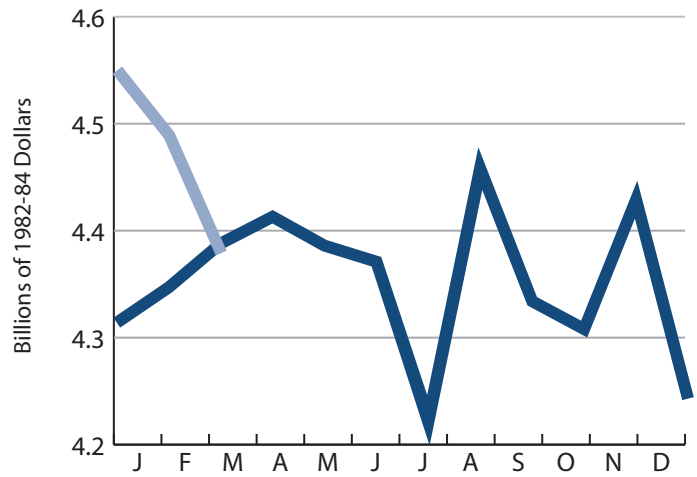
Taxable Retail Sales



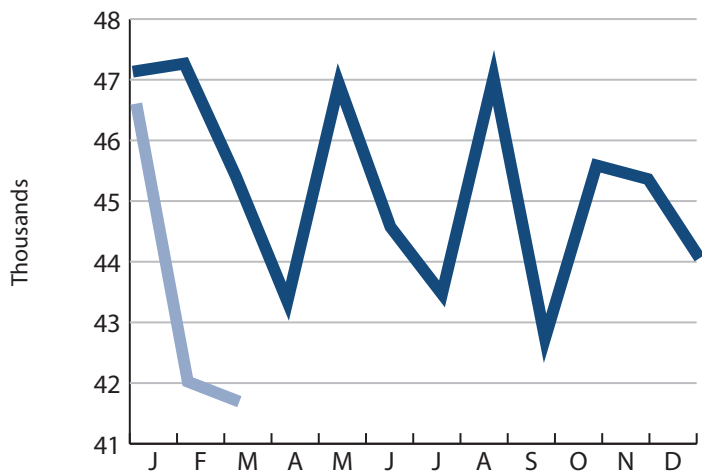
New Business Incorporations



Deflated Taxable Retail Sales



New Vehicle Registrations



DATA SUMMARY (SEASONALLY ADJUSTED DATA)

JANUARY 2007

	Jan. 2007	Dec. 2006	Jan. 2006	Percent & Direction of Change**	
				Dec. 2006 - Jan. 2007	Jan. 2006 - Jan. 2007
EMPLOYMENT					
*Nonag Wage & Salary Emp (000)	3,759.5	3,735.6	3,712.0	0.6 (+)	1.3 (+)
*Manufacturing Employment (000)	287.1	285.6	292.4	0.53 (+)	-1.8 (-)
*Total Unemployment Rate (%)	2.8	2.9	3.0	(+)	(+)
UNEMPLOYMENT INSURANCE					
Average Weekly Initial Claims	5,026	4,696	5,085	7.0 (-)	-1.2 (+)
Insured Unemployment Rate (%)	0.84	0.93	0.89	(+)	(+)
Final Payments	3,518	2,917	3,299	20.6 (-)	6.6 (-)
MANUFACTURING PRODUCTION WORKERS					
*Average Weekly Hours	41.1	41.2	41.5	-0.2 (0)	-1.0 (-)
*Total Production Hours (000)	9,235	9,213	9,396	0.2 (0)	-1.7 (-)
*Average Hourly Earnings (\$)	17.07	16.85	16.51	1.3 (+)	3.4 (+)
*Average Weekly Earnings (\$)	700.85	694.51	684.43	0.9 (+)	2.4 (+)
BUSINESS					
Single Family Housing Permits	2,801	2,402	4,014	16.6 (+)	-30.2 (-)
New Business Incorporations	1,839	1,375	2,021	33.7 (+)	-9.0 (-)
New Vehicle Registrations	46,911	44,059	47,133	6.5 (+)	-0.47 (0)
Taxable Retail Sales (\$M)	9,038	8,427	8,415	7.3 (+)	7.4 (+)

DATA SUMMARY (SEASONALLY ADJUSTED DATA)

FEBRUARY 2007

	Feb. 2007	Jan. 2007	Feb. 2006	Percent & Direction of Change**	
				Jan. 2007 - Feb. 2007	Feb. 2006 - Feb. 2007
EMPLOYMENT					
*Nonag Wage & Salary Emp (000)	3,762.8	3,759.5	3,716.4	0.1 (0)	1.2 (+)
*Manufacturing Employment (000)	285.8	287.1	291.6	-0.45 (0)	-2.0 (-)
*Total Unemployment Rate (%)	2.9	2.8	2.9	(-)	(0)
UNEMPLOYMENT INSURANCE					
Average Weekly Initial Claims	6,016	5,026	4,679	19.7 (-)	28.6 (-)
Insured Unemployment Rate (%)	0.93	0.84	0.86	(-)	(-)
Final Payments	3,081	3,518	3,041	-12.4 (+)	1.3 (-)
MANUFACTURING PRODUCTION WORKERS					
*Average Weekly Hours	41.2	41.1	41.0	0.2 (0)	0.49 (0)
*Total Production Hours (000)	9,206	9,235	9,260	-0.3 (0)	-0.6 (-)
*Average Hourly Earnings (\$)	17.00	17.07	16.66	-0.4 (0)	2.0 (+)
*Average Weekly Earnings (\$)	704.78	700.85	687.36	0.6 (+)	2.5 (+)
BUSINESS					
Single Family Housing Permits	2,971	2,801	4,070	6.1 (+)	-27.0 (-)
New Business Incorporations	1,423	1,839	1,614	-22.6 (-)	-11.8 (-)
New Vehicle Registrations	42,328	46,911	47,266	-9.8 (-)	-10.4 (-)
Taxable Retail Sales (\$M)	8,944	9,038	8,472	-1.0 (-)	5.6 (+)

DATA SUMMARY (SEASONALLY ADJUSTED DATA)

MARCH 2007

	Mar. 2007	Feb. 2007	Mar. 2006	Percent & Direction of Change**	
				Feb. 2007 - Mar. 2007	Mar. 2006 - Mar. 2007
EMPLOYMENT					
*Nonag Wage & Salary Emp (000)	3,773.7	3,762.8	3,726.8	0.3 (0)	1.3 (+)
*Manufacturing Employment (000)	286.4	285.8	290.4	0.2 (0)	-1.4 (-)
*Total Unemployment Rate (%)	3.0	2.9	2.9	(-)	(-)
UNEMPLOYMENT INSURANCE					
Average Weekly Initial Claims	5,121	6,016	4,819	-14.9 (+)	6.3 (-)
Insured Unemployment Rate (%)	0.90	0.93	0.82	(+)	(-)
Final Payments	2,719	3,081	2,672	-11.7 (+)	1.8 (-)
MANUFACTURING PRODUCTION WORKERS					
*Average Weekly Hours	41.9	41.2	41.2	1.7 (+)	1.7 (+)
*Total Production Hours (000)	9,391	9,206	9,295	2.0 (+)	1.0 (+)
*Average Hourly Earnings (\$)	17.14	17.00	16.81	0.8 (+)	2.0 (+)
*Average Weekly Earnings (\$)	715.84	704.78	690.60	1.6 (+)	3.7 (+)
BUSINESS					
Single Family Housing Permits	2,769	2,971	3,852	-6.8 (-)	-28.1 (-)
New Business Incorporations	1,500	1,423	1,739	5.4 (+)	-13.7 (-)
New Vehicle Registrations	41,998	42,328	45,411	-0.8 (-)	-7.5 (-)
Taxable Retail Sales (\$M)	8,785	8,944	8,570	-1.8 (-)	2.5 (+)

* Revised to 1st Quarter 2006 benchmarks.

** (+) Favorable, (-) Not Favorable, (0) Change between +/- 0.5%.

NUMBER OF SERIES MOVING FAVORABLY

Plus One-Half the Number Unchanged

Monthly Total 6-Month Moving Average





CONSIDERING VIRGINIA'S OLDER WORKERS—

The Labor Dynamics of an Aging Workforce

Timothy O. Kestner, Economist

Editor's Note:

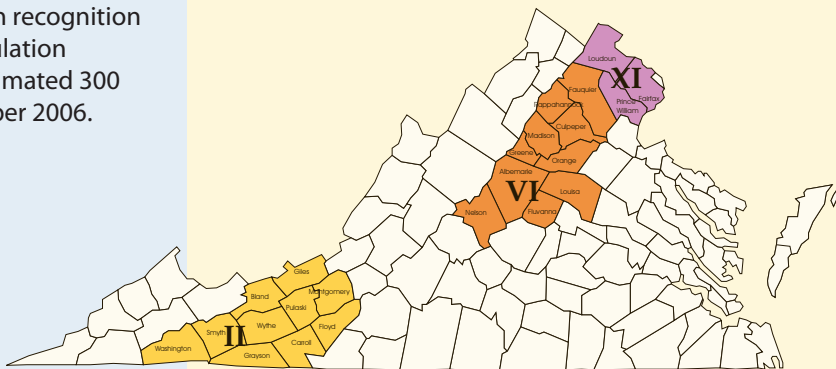
The Local Employment Dynamics (LED) program has brought to light important new findings on Virginia's workforce. In this issue's feature article, Virginia Employment Commission Economist, Timothy O. Kestner, has analyzed some of these. This article resulted from a presentation given at the University of Virginia's Weldon Cooper Center for Public Service in recognition of the U.S. population reaching an estimated 300 million in October 2006.

The following analysis of Virginia's workers uses Local Employment Dynamics (LED)¹ employment data broken down into age groups of 14-44; 45-54; 55-64; and 65 and over. The data time period is 2001-2005 for the overall trend and 2001-2004 for industry specifics. Trends in Virginia are compared to three separate Workforce Investment Areas (WIA²); they are WIAs II, VI, and XI. (This compares trends in small-, medium-, and large-sized WIA areas.)

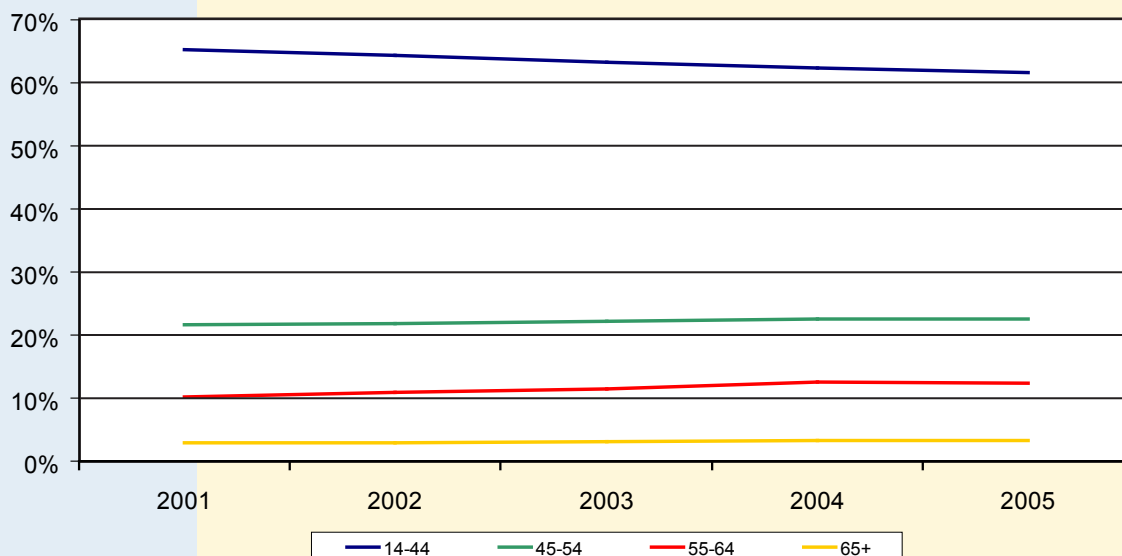
The LED data brought to light problems that had been suspected, but for which there had been no specifics.

The older workforce is growing as a group, as the Baby Boomers (those born in 1946 - 1964) move through time. Age groups 45-54; 55-64; and the non-

boomers 65 and over increased slightly from 2001-2005—21 to 23 percent; 10 to 12 percent; and 3 to 5 percent, respectively. The age group 14-44³ is declining at a faster rate—66 to 61 percent from 2001-2005. (See Figure 1) The WIAs revealed similar trends, with WIA XI (Northern VA) having slightly less older workers and more younger workers (ages 14-44).



Virginia's Workforce by Age Group: 2001-2005 (Fig. 1)



Source: U.S. Census Bureau and the Virginia Employment Commission, Local Employment Dynamics Partnership.

With this increased knowledge from the LED program in hand, attention is turned to the specific industries with a high proportion of older workers. In 2004⁴, the age group 55-64 made up 20.3 percent of the Private Household industry's workforce in the state. For the WIAs (II, VI, and XI), this industry's proportions were: 28.9; 20.9; and 16.0 percent, respectively. WIA VI had other industries with a larger proportion: Electrical Equipment (23.8 percent) and Transit and Ground Transportation (22.6 percent), for example. WIA XI's Paper Manufacturing industry had the largest proportion of 55- to 64-year-old workers, at 26.5 percent. Other industries ranking very close to Private Households were Museums, Parks and Historical Sites; Textile Mills; Electrical Equipment and Appliances; Transit and Ground Transportation; and Paper Manufacturing. It is assumed that for many workers, some of these industries are post-retirement choices. (See Figure 2)

Selected Industries With a High Proportion of Older Workers by Age Group 55-64, 2004 (Fig. 2)

	Virginia	WIA II	WIA VI	WIA XI
Private Households	20.3%	28.9%	20.9%	16.0%
Museums, Parks & Historical Sites	20.1%	16.1%	20.6%	22.0%
Textile Mills	19.9%	16.8%	19.6%	17.7%
Electrical Equipment & Appliances	18.7%	16.4%	23.8%	14.6%
Transit & Ground Passenger Trans.	18.7%	16.1%	22.6%	15.3%
Paper Manufacturing	17.6%	10.5%	19.5%	26.5%
Apparel Manufacturing	17.2%	14.6%	12.2%	13.7%
Educational Services	16.6%	16.3%	15.6%	15.1%
Chemical Manufacturing	16.5%	20.3%	5.6%	12.4%
Fabricated Metal Product Mfg	16.2%	19.3%	19.6%	15.3%
Transportation Equipment Mfg	15.4%	13.1%	18.0%	16.1%
Machinery Manufacturing	15.2%	16.7%	15.2%	18.7%
Membership Organiz. & Assoc.	15.2%	13.7%	15.4%	17.2%
Furniture & Related Product Mfg	14.7%	16.0%	15.6%	10.3%
Textile Product Mills	14.6%	16.8%	19.6%	17.7%
All Industries	11.1%	11.9%	11.5%	10.1%

Source: U.S. Census Bureau and the Virginia Employment Commission, Local Employment Dynamics Partnership, 2004 data.



For the age group 65 and over, the Private Households industry is again at the top ranking in the state and in WIAs II and VI. WIA XI nearly matches those statistics, yet the Museums, Parks and Historical Sites is the larger—most likely the result of a second career choice. (See Figure 3)

In asking the question: “As a group, where are most of the 55- to 64-year-old workers employed in the state?”—it was found that the Professional and Technical Services industry had, by far, the largest number, with 11.8 percent. Following at a distance were Administrative and Support Services, with 5.7 percent, and Ambulatory Health Care Services, with 4.6 percent. WIAs II and VI have similar findings, yet with much less of a percentage in the Professional and Technical Services industry. However, WIA XI (Northern VA) has a large number of 55- to 64-year-old workers (24.4 percent) in this industry. (See Figure 4)

Selected Industries With a High Proportion of Older Workers by Age Group 65+, 2004 (Fig. 3)

	Virginia	WIA II	WIA VI	WIA XI
Private Households	13.9%	17.3%	17.2%	6.8%
Museums, Parks and Historical Sites	10.7%	9.7%	15.0%	10.8%
Crop Production	9.6%	7.4%	8.4%	6.0%
Transit and Ground Passenger Trans.	7.7%	16.1%	10.3%	5.1%
Animal Production	7.6%	5.0%	11.3%	7.2%
Scenic and Sightseeing Trans.	7.4%	na	na	4.8%
Personal and Laundry Services	6.5%	7.9%	6.0%	3.4%
Fishing, Hunting and Trapping	5.7%	na	na	na
Real Estate	5.7%	5.1%	6.4%	4.6%
Miscellaneous Store Retailers	5.6%	7.5%	6.9%	4.1%
AG & Forestry Support Activity	5.5%	0.0%	5.3%	4.7%
Social Assistance	4.7%	4.9%	3.5%	3.3%
Motor Vehicle and Parts Dealers	4.7%	4.9%	5.3%	3.5%
Forestry and Logging	4.5%	0.0%	8.4%	0.0%
Membership Organizations & Assoc.	4.5%	6.1%	5.5%	4.2%
All Industries	3.1%	3.0%	3.8%	2.6%

Where the 55-64 Group Worked as of 2004 (Fig. 4)

	Virginia	WIA II	WIA VI	WIA XI
Professional & Technical Services	11.8%	2.8%	7.4%	24.4%
Administrative & Support Services	5.7%	2.6%	4.3%	7.0%
Ambulatory Health Care Services	4.6%	3.8%	5.5%	4.9%
Specialty Trade Contractors	3.6%	2.0%	5.0%	3.9%
Hospitals	3.5%	3.8%	3.1%	2.1%
Food Services and Drinking Places	3.1%	3.2%	3.7%	3.4%
General Merchandise Stores	2.9%	3.9%	2.5%	2.6%
Management of Companies	2.9%	1.4%	2.4%	3.4%
Merchant Whslrs, Durable Goods	2.6%	1.5%	1.6%	2.2%
Educational Services	2.4%	1.2%	2.6%	2.0%
Nursing & Residential Care Fac.	2.4%	3.3%	3.0%	1.1%
Transportation Equipment Mfg	2.2%	7.8%	0.6%	0.1%
Credit Intermediation Activity	2.1%	1.6%	1.6%	2.4%
Motor Vehicle & Parts Dealers	2.0%	2.5%	2.2%	1.5%
Membership Organiz. Assoc.	1.9%	0.8%	2.4%	2.2%

Source: U.S. Census Bureau and the Virginia Employment Commission, Local Employment Dynamics Partnership, 2004 data.



For the 65 and older group, the highest percent was also found in the Professional and Technical Services industry. This industry was not as significant in WIA II, as Food Services and General Merchandise. On the other hand, the Northern Virginia WIA (WIA XI) is where nearly 17 percent of this age group can be found employed. What is seemingly present here, at least on the surface, is the difference in the level of education attainment between 65-year-olds and older workers in rural versus metropolitan areas of the state. (See Figure 5)

Where the 65+ Group Worked as of 2004 (Fig. 5)

	Virginia	WIA II	WIA VI	WIA XI
Professional & Technical Services	8.5%	2.5%	5.5%	16.7%
Administrative & Support Services	7.7%	3.2%	4.8%	10.4%
Food Services & Drinking Places	5.6%	6.5%	5.6%	7.9%
Specialty Trade Contractors	4.5%	2.0%	5.1%	6.3%
Ambulatory Health Care Services	3.9%	3.2%	3.9%	3.9%
General Merchandise Stores	3.9%	6.0%	2.9%	3.4%
Motor Vehicle & Parts Dealers	2.8%	3.6%	2.6%	2.1%
Food and Beverage Stores	2.8%	4.5%	3.3%	1.9%
Nursing & Residential Care Fac.	2.7%	4.6%	2.9%	1.3%
Personal and Laundry Services	2.7%	2.5%	2.6%	1.7%
Real Estate	2.6%	1.3%	2.3%	2.6%
Merchant Whslrs. Durable Goods	2.4%	1.9%	1.7%	1.7%
Educational Services	2.2%	1.3%	2.3%	2.2%
Accommodation	2.1%	2.3%	2.5%	1.4%
Hospitals	2.1%	2.8%	2.3%	1.1%

Source: U.S. Census Bureau and the Virginia Employment Commission, Local Employment Dynamics Partnership, 2004 data.

Finally, and seemingly most important, there could be a labor shortage within ten years in some industries. Overall, there could be around 2.6 percent less 25- to 35-year-old workers to replace the 35- to 44-year-old workers, which may prove to be insignificant given that we do not know how migration and immigration of workers will affect the workforce. Certain industries, such as Utilities; Paper Manufacturing; Chemical Manufacturing; Air Transportation; and mostly other manufacturing industries will see low double-digit deficits in the 35-44 age group as the next decade passes. The initial thought is that not enough young people are enticed to enter the manufacturing sector, and they are being lured into more desirable occupations with higher salaries and better working conditions. Given the declining nature of Virginia's manufacturing sector, perhaps this is a "natural selection" phenomenon. What is evident is that as this group moves through time and becomes the "older age groups," their number will be less than their predecessors' age group, and industries will have to make adjustments accordingly. (See Figures 6 and 7)



Age Groups as a Percent of Total Employment, 2004 (Fig. 6)

	25-34	35-44	45-54	55-64	65 +
All Industries: Virginia	22.7%	25.3%	21.5%	11.1%	3.1%
Utilities	13.0%	30.9%	40.6%	12.3%	0.7%
Paper Manufacturing	16.6%	30.1%	30.1%	17.6%	1.3%
Chemical Manufacturing	15.8%	29.0%	34.5%	16.5%	1.1%
Air Transportation	20.0%	32.2%	28.3%	13.1%	1.4%
Transportation Equipment Mfg.	16.8%	28.9%	30.5%	15.4%	1.6%
Primary Metal Manufacturing	16.9%	27.5%	32.7%	16.8%	1.4%
Computer & Electronics Mfg.	20.2%	32.3%	27.4%	13.4%	1.9%
Printing and Related Support Act.	19.4%	31.5%	26.5%	12.4%	2.7%
Transit & Grd. Passenger Trans.	15.1%	26.0%	27.5%	18.7%	7.7%
Truck Transportation	18.9%	29.6%	26.7%	14.4%	3.9%
Machinery Manufacturing	19.7%	29.6%	28.5%	15.2%	2.1%
Beverage & Tobacco Product Mfg.	15.3%	24.9%	40.3%	12.7%	1.6%
Mining (except Oil and Gas)	15.8%	25.4%	37.9%	13.7%	1.7%
Furniture & Related Product Mfg.	18.9%	28.4%	26.6%	14.7%	2.9%
Textile Mills	15.9%	25.3%	29.9%	19.9%	2.7%

Source: U.S. Census Bureau and the Virginia Employment Commission, Local Employment Dynamics Partnership, 2004 data.

Future Workforce Shortages? (Fig. 7)

	25-34/35-44	35-44/45-54	45-54/55-64
All Industries: Virginia	-2.6%	3.8%	10.4%
Utilities	-17.9%	-9.6%	28.3%
Paper Manufacturing	-13.5%	0.0%	12.5%
Chemical Manufacturing	-13.2%	-5.5%	18.0%
Air Transportation	-12.1%	3.8%	15.2%
Transportation Equipment Mfg.	-12.1%	-1.6%	15.2%
Computer & Electronics Mfg.	-12.1%	4.8%	14.0%
Printing & Related Support Act.	-12.0%	5.0%	14.1%
Transit & Grd. Passenger Trans.	-10.9%	-1.6%	8.8%
Truck Transportation	-10.7%	2.8%	12.4%
Primary Metal Manufacturing	-10.6%	-5.2%	15.9%
Machinery Manufacturing	-9.9%	1.1%	13.3%
Beverage & Tobacco Product Mfg.	-9.7%	-15.4%	27.6%
Mining (except Oil and Gas)	-9.6%	-12.4%	24.2%
Furniture & Related Product Mfg.	-9.5%	1.8%	11.9%
Textile Mills	-9.4%	-4.6%	10.0%

Source: U.S. Census Bureau and the Virginia Employment Commission, Local Employment Dynamics Partnership, 2004 data.



¹ Local Employment Dynamics (LED) is a voluntary partnership between state labor market information agencies and the U.S. Census Bureau to develop new information about local labor market conditions.

² Virginia has 17 Workforce Investment Areas, which are a derivative of the federal Workforce Investment Act. These areas can be found on the Virginia Employment Commission's website: <http://www.vec.virginia.gov>.

³ The age group 14-44 has very few 14- to 18-year-old workers in the group; this collection is a Census methodology.

⁴ The most complete year of industrial specific data.

Performance of Indicators Over the Business Cycle

For those interested in studying the business cycle in Virginia, this publication includes several of the economic time series for which data is readily available on a monthly basis. From time to time, new series will be added and, if necessary, others presently included will be discontinued.

Business Cycle Turning Points

The beginning of a recession is defined as the month when aggregate economic activity in the U.S. reaches a cyclical high, from which it begins to turn down, and the end as the month when it reaches a cyclical low, from which it begins to turn up. On November 26, 2001, the National Bureau of Economic Research (NBER) announced a recession had begun in March 2001. On July 17, 2003, NBER announced the recession ended in November 2001.

Seasonal Adjustment

To correlate changes in a time series and changes in the business cycle, it is desirable to eliminate, insofar as possible, the effect of irrelevant factors from the data comprising the series. All series currently published in the *Virginia Economic Indicators* have been adjusted to minimize regular seasonal fluctuations in the data in order to show only activity related to the business cycle.

Historical Graph

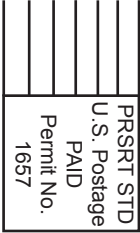
Historical graphs are published in the back of the fourth quarter issue for each year.

Data Sources

U.S. Census Bureau:	Average Weekly Initial Claims
Single Family Housing Permits	Deflated Average Hourly Earnings
Virginia Department of Motor Vehicles:	Deflated Average Weekly Earnings
New Vehicle Registrations	Insured Unemployment Rate
Virginia Department of Taxation:	Manufacturing Employment
Deflated Taxable Retail Sales	Nonagricultural Wage
Taxable Retail Sales	and Salary Employment
Virginia Employment Commission:	Total Production Hours
Average Hourly Earnings	Total Unemployment Rate
Average Weekly Earnings	Unemployment Insurance Final Payments
Average Weekly Hours	Virginia State Corporation Commission:
	New Business Incorporations

Virginia Economic Indicators - Vol. 39, No. 1
Economic Information Services Division
Virginia Employment Commission
Post Office Box 1358
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